

**VILLAGE OF SOUTH MANSFIELD****MANSFIELD, LOUISIANA****FINANCIAL STATEMENTS****JUNE 30, 2004 AND 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/15/05

**VILLAGE OF SOUTH MANSFIELD**

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**Village of South Mansfield**  
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**INDEPENDENT AUDITOR'S REPORT**

November 19, 2004

The Honorable Dessie L. Patterson, Mayor  
And Members of the Board of Aldermen  
Village of South Mansfield, Louisiana

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Village of South Mansfield, Louisiana, as of and for the two years ended June 30, 2004 which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of South Mansfield, Louisiana's management. My responsibility is to express opinions on these financial statements based on my audit.

The Village sustained a total loss of all its accounting records in 2004. Evidence supporting historical cost of general fund capital assets, fund liabilities, customer deposit liabilities, general fund and proprietary fund revenue and expenses were not available. The Village's records do not permit the application of other auditing procedures to these areas.

The Village has implemented a new financial reporting model, as required by the provisions of *GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2003 and 2004. However, GASB 34 requires, as required supplementary information, budgetary comparison information for the General Fund. Such information has not been included which is a departure from generally accepted accounting principles accepted in the United States of America.

Since the Village had its loss of accounting records and I was unable to apply other procedures, to satisfy myself as to those areas, the scope of my work was not sufficient for me to enable me to express, and I do not express, an opinion on these financial statements referred to above.

In accordance with General Auditing Standards, I have also issued a report dated May 13, 2005, on consideration of the Village of South Mansfield, Louisiana internal controls over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of this engagement in accordance with Governmental Auditing Standards and should be read in conjunction with this report.

The required supplementary information on pages 3 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

I was engaged to audit the financial statements referred to above for the purpose of forming opinions on the financial statements that collectively comprise the Village of South Mansfield, Louisiana's basic financial statements. The other supplementary information section is presented for purpose of additional analysis and is not a required part of the basic financial statements. As discussed in the second paragraph above, the scope of my work was not sufficient to enable me to express opinions on the financial position of the governmental activities and the changes in financials position. Similarly, I am unable to express and do not express an opinion on the accompanying supplemental information.

 **Richard C  
McCallister**

Signature  
valid

Richard C. McCallister  
Certified Public Accountant

Digitally signed by  
Richard C. McCallister  
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McCallister,  
o=Richard C.  
McCallister, CPA,  
c=US  
Date: 2005.06.02  
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**REQUIRED SUPPLEMENTAL INFORMATION**

## **VILLAGE OF SOUTH MANSFIELD**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Village of South Mansfield's (hereinafter referred to as the Village) financial performance provides an overview of the Village's financial activities for June 30, 2004 and 2003. Please read it in conjunction with the Village's financial statements that begin on Page 8.

#### **USING THIS TWO-YEAR REPORT**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on Pages 6-8 provide information about the activities of the Village as a whole. Fund financial statements begin on Page 9. For governmental activities, these statements provide information on how the general activities of the Village are financed in the short term as well as what remains for future spending. Fund financial statements report the Village's operations in more detail than the government-wide statements.

#### **Reporting the Village as a Whole – The Statement of Net Assets and the Statement of Activities**

My analysis of the Village as a whole begins on Page 6 with the Statement of Net Assets and on Pages 7 and 8 with the Statements of Activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. Net assets – the difference between assets (what the Village owns) and liabilities (what the Village owes) is a way to measure the financial position of the Village. Over time, increases or decreases in the Village's net assets are an indicator of whether the Village's financial position is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the Village is divided into two kinds of activities:

Governmental activities – all of the Village's governmental services are reported here.

Business-type activities – the Village's water and sewer system is reported here.

## **Reporting the Village's Funds – Fund Financial Statements**

My analysis of the Village's funds begins on Page 9. The fund financial statements provide more detailed information about the Village's funds. The Village's two kinds of funds – governmental and business-type funds use different accounting methods.

Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. Governmental funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Village's operations. Governmental fund information helps to determine whether there are more or fewer financial resources that are available to be spent in the near future. The differences between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds are reported in a reconciliation at the bottom of the fund financial statements.

Business-type activities funds are reported in the same way that the activities are reported in the Statement of Net Assets and the Statement of Activities.

## **COMPARATIVE ANALYSIS OF FINANCIAL DATA**

### **Government-wide Financial Statements**

The Village had \$2,775,329 in total assets at June 30, 2004 with \$2,718,055 invested in capital assets and \$57,274 in other assets. Total liabilities were \$248,879 with \$203,470 in long-term debt and \$45,409 in other liabilities. Total net assets of \$2,526,450 consisted of \$2,531,153 invested in capital assets (net of related debt), \$27,223 deficit in restricted assets, and \$22,520 in unrestricted assets. Total revenue for the year ended June 30, 2004 was \$138,710 compared to \$263,948 for the prior year with the difference primarily as a result of \$188,530 in grants received in the prior year for capital improvements to the water system.

### **Governmental Funds**

The revenue generated from taxes and permits for governmental activities in the amount of \$76,849 other than grants received for building renovation remained fairly constant from prior year amounts. General government program expenses of \$94,783 decreased \$19,000 from the prior year amounts.

### **Business-Type Activities**

The Village's revenue from its water and sewer activities remains constant with the prior year. The expenses of its water and sewer activities increased \$23,000 primarily as a result of repairs and maintenance.



## **OVERALL FINANCIAL POSITION**

The Village's net assets decreased \$22,675 as a result of this year's operations. The majority of this decrease resulted from depreciation expense in Water and Sewer Enterprise Fund. Unrestricted net assets (those assets available to finance the daily operations of the Village) was \$22,250 at year ending June 30, 2004. The amount invested in capital assets was \$2,531,153 at year ending June 30, 2004.

## **VILLAGE'S FUNDS**

At year's end, the Village's General Fund reported an unreserved fund balance of \$9,334. The decrease in unreserved fund balance for June 30, 2004 was \$3,149. The decrease in net assets was a result of transfers to the Water and Sewer Fund to cover repairs. The Water and Sewer Enterprise Fund reported net assets of \$2,467,736 at years end. The decrease in net assets was \$19,525 for June 30, 2004 and 2003. The decrease in net assets was a result of depreciation expense in the Water and Sewer Enterprise Fund of \$71,966.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Village's the General Fund budget is not available for comparison and analysis. The Village prepares its General Fund budget on the modified accrual basis of accounting.

## **CAPITAL ASSETS AND DEBT**

### **Capital Assets**

At the end of June 30, 2004, the Village had capital assets (net of accumulated depreciation) totaling \$2,718,055. Capital assets include the water and sewer systems and improvements, land, buildings, improvements other than buildings, and equipment costing \$500 or more. The Village's office and office equipment was totally destroyed by a fire during 2004. Renovations were already underway for a new office and \$30,021 was completed by June 30, 2004. No substantial additions are planned for the subsequent year.

### **Debt**

At the year ending June 30, 2004 the Village had \$200,000 in revenue bonds payable and a note on a truck of \$3,470. During the year ended June 30, 2004, \$16,342 of that debt was paid.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Village expects its 2005 General Fund revenues and expenditures to remain fairly constant next year. The Village expects the revenues and expenses of the Water and Sewer Enterprise Fund to remain fairly constant for 2005.

## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF SOUTH MANSFIELD**

**STATEMENT OF NET ASSETS**

**June 30, 2004**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash	3,075	17,658	20,733
Receivables	12,862	23,679	36,541
Capital assets (net)	49,377	2,668,678	2,718,055
Total Assets	<u>65,314</u>	<u>2,710,015</u>	<u>2,775,329</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	6,603	14,215	20,818
Accrued interest	-	1,841	1,841
Notes payable-due within one year	-	2,568	2,568
Bonds payable-due within one year	-	14,000	14,000
Customer deposits	-	22,750	22,750
Notes payable-due in more than one year	-	902	902
Bonds payable-due in more than one year	-	186,000	186,000
Total Liabilities	<u>6,603</u>	<u>242,276</u>	<u>248,879</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	49,377	2,481,776	2,531,153
Restricted	-	(27,223)	(27,223)
Unrestricted	9,334	13,186	22,520
Total Net Assets	<u>58,711</u>	<u>2,467,739</u>	<u>2,526,450</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF SOUTH MANSFIELD**

**STATEMENT OF ACTIVITIES**

**For the Year ended June 30, 2004**

	<u>Net (Expense) Revenues and Changes</u>			
	<u>in Net Assets</u>			
	<u>Program Revenues</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Expenses</u>	<u>Activities</u>	<u>Activities</u>	
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	94,783	(94,783)	-	(94,783)
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water and Sewer service	183,032	-	(66,602)	(66,602)
Total Government	<u>277,815</u>	<u>(94,783)</u>	<u>(66,602)</u>	<u>(161,385)</u>
<b>GENERAL REVENUES:</b>				
Property taxes		3,829	-	3,829
Sales taxes		27,313	-	27,313
Franchise taxes		22,690	-	22,690
License and permit		4,531	-	4,531
P&M beer taxes		18,486	-	18,486
Interest Income		-	36	36
Grants received		29,599	32,225	61,824
<b>TRANSFERS</b>		<u>(14,814)</u>	<u>14,814</u>	<u>-</u>
Total General Revenues and Transfers		<u>91,634</u>	<u>47,075</u>	<u>138,709</u>
<b>CHANGE IN NET ASSETS</b>		<u>(3,149)</u>	<u>(19,527)</u>	<u>(22,676)</u>
<b>NET ASSETS - BEGINNING</b>		<u>61,860</u>	<u>2,487,265</u>	<u>2,549,125</u>
<b>NET ASSETS - ENDING</b>		<u>58,711</u>	<u>2,467,738</u>	<u>2,526,449</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF SOUTH MANSFIELD**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2003**

	Expenses	Program Revenues & Charges for Services	Net (Expense) Revenues and Changes in Net Assets		
			Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Government	75,079	-	(75,079)		(75,079)
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Water and Sewer service	160,372	118,956		(41,416)	(41,416)
Total Government	<u>235,451</u>	<u>118,956</u>	<u>(75,079)</u>	<u>(41,416)</u>	<u>(116,495)</u>
<b>GENERAL REVENUES:</b>					
Property taxes			3,841	-	3,841
Sales taxes			30,348	-	30,348
Franchise taxes			20,836	-	20,836
License and permit			3,677	-	3,677
P&M beer taxes			16,515	-	16,515
Interest Income			-	201	201
Grants received			-	188,530	188,530
Total General Revenues and Transfers			<u>75,217</u>	<u>188,731</u>	<u>263,948</u>
<b>CHANGE IN NET ASSETS</b>			138	147,315	147,453
<b>NET ASSETS - BEGINNING</b>			<u>61,722</u>	<u>2,339,950</u>	<u>2,401,672</u>
<b>NET ASSETS - ENDING</b>			<u>61,860</u>	<u>2,487,265</u>	<u>2,549,125</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF SOUTH MANSFIELD**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2004**

	<u>General Fund</u>
<b><u>ASSETS</u></b>	
Cash	3,075
Receivables	<u>12,862</u>
Total Assets	<u><u>15,937</u></u>

**LIABILITIES AND FUND BALANCES**

Liabilities-accounts payable	6,603
Fund balance-unreserved	<u>9,334</u>
Total Liabilities and Fund Balance	<u><u>15,937</u></u>

**Reconciliation of the Balance Sheet of Governmental  
Funds To the Statement of Net Assets**

<b>Fund balance-unreserved - Governmental Funds</b>	9,334
Amount reported for net assets of governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the fund	<u>49,377</u>
<b>Net assets of governmental activiteis</b>	<u><u>58,711</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF SOUTH MANSFIELD**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**

**For the year ended June 30, 2004**

	<u>General Fund</u>
<b><u>REVENUES</u></b>	
Taxes:	
Property	3,829
Sales	27,313
Franchise	22,690
P&M beer	18,486
License and permits	4,531
Intergovernmental:	
Grants	29,599
Total Revenues	<u>106,448</u>
 <b><u>EXPENDITURES</u></b>	
General government:	
Personal services	35,003
Operating services	22,001
Materials and supplies	7,758
Capital outlays	30,021
Total Expenditures	<u>94,783</u>
 <b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	11,665
 <b><u>OTHER FINANCING SOURCE - Transfer out</u></b>	<u>(14,814)</u>
 <b><u>NET CHANGE IN FUND BALANCE</u></b>	(3,149)
 <b><u>FUND BALANCE AT BEGINNING OF YEAR</u></b>	<u>12,483</u>
 <b><u>FUND BALANCE AT END OF YEAR</u></b>	<u><u>9,334</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF SOUTH MANSFIELD**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**

**For the year ended June 30, 2003**

	<u>General Fund</u>
<b><u>REVENUES</u></b>	
Taxes:	
Property	3,841
Sales	30,348
Franchise	20,836
P&M beer	16,515
License and permits	<u>3,677</u>
Total Revenues	<u>75,217</u>
 <b><u>EXPENDITURES</u></b>	
General government:	
Personal services	38,776
Operating services	22,489
Materials and supplies	<u>13,814</u>
Total expenditures	<u>75,079</u>
 <b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	138
 <b><u>FUND BALANCE AT BEGINNING OF YEAR</u></b>	<u>12,345</u>
 <b><u>FUND BALANCE AT END OF YEAR</u></b>	<u>12,483</u>

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF SOUTH MANSFIELD**

**STATEMENT OF NET ASSETS - BUSINESS-TYPE ACTIVITIES**

**June 30, 2004**

<b>ASSETS</b>	<b><u>2004</u></b>
 <b><u>Current Assets</u></b>	
Cash and cash equivalents	6,290
Accounts receivable - Note 4	<u>23,679</u>
Total current assets	<u>29,969</u>
 <b><u>Noncurrent Assets</u></b>	
Restricted cash and cash equivalents	
Revenue sinking funds	1,003
Reserve sinking funds	320
Reserve for replacement funds	320
Customer deposits	761
Certificate of deposit - customer deposits	8,964
Capital assets - Note 5	<u>2,668,678</u>
Total other noncurrent assets	<u>2,680,046</u>
Total assets	<u>2,710,015</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF SOUTH MANSFIELD**  
**STATEMENT OF NET ASSETS - BUSINESS-TYPE ACTIVITIES**  
**JUNE 30, 2004**

<b>LIABILITIES</b>	<b><u>2004</u></b>
<u>Current Liabilities (Payable from current assets)</u>	
Accounts payable	14,215
Notes payable truck-current portion	<u>2,568</u>
Total	<u>16,783</u>
<u>Current Liabilities (Payable from restricted assets)</u>	
Accrued interest - revenue bonds	1,841
Revenue bonds payable	14,000
Customer deposits held	<u>22,750</u>
Total	<u>38,591</u>
Total current liabilities	<u>55,374</u>
<u>Noncurrent Liabilities</u>	
Revenue bonds payable - Note 6	186,000
Notes payable truck	<u>902</u>
Total long-term liabilities	<u>186,902</u>
Total liabilities	<u>242,276</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,481,776
Restricted	(27,223)
Unrestricted	<u>13,186</u>
Total net assets	<u><u>2,467,739</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF SOUTH MANSFIELD**

**STATEMENT OF REVENUES, EXPENSES,**  
**CHANGES IN NET ASSETS - BUSINESS-**  
**TYPE ACTIVITIES**

**For the year ended June 30, 2004**

	<u>2004</u>
<u>Operating Revenues</u>	
Water and sewer fees	<u>116,430</u>
<u>Operating Expenses</u>	
Advertising	120
Billing and collection	2,427
Depreciation	71,966
Fees and dues	675
Insurance	3,341
Maintenance and repairs	23,502
Office expense	2,029
Personal services	43,404
Professional fees	1,337
Telephone	2,483
Travel	535
Utilities	13,089
Water lease and purchase	<u>7,100</u>
 Total operating expenses	 <u>172,008</u>
 <u>Operating Income (Loss)</u>	 <u>(55,578)</u>
 <u>Non-Operating Revenues (Expenses)</u>	
Grants received	32,225
Interest earned on deposits	37
Interest expense	<u>(11,024)</u>
Total non-operating revenues (expenses)	<u>21,238</u>
 Change in net assets	 (34,340)
 Transfers from general fund	 14,814
 Net assets-beginning of year	 <u>2,487,265</u>
 Net assets-end of year	 <u><u>2,467,739</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF SOUTH MANSFIELD**

**STATEMENT OF REVENUES, EXPENSES**  
**CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES**  
**For the year ended June 30, 2003**

	<u>2003</u>
<u>Operating Revenues</u>	
Water and sewer fees	<u>118,956</u>
<u>Operating Expenses</u>	
Billing and collection	3,980
Depreciation	66,597
Fees and dues	1,300
Insurance	5,422
Maintenance and repairs	10,074
Office expense	2,287
Personal services	36,260
Professional fees	5,462
Telephone	1,454
Utilities	7,669
Water lease and purchase	<u>8,038</u>
Total operating expenses	<u>148,543</u>
<u>Operating Income (Loss)</u>	<u>(29,587)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Grants received	188,530
Interest earned on deposits	201
Interest expense	<u>(11,829)</u>
Total non-operating revenues (expenses)	<u>176,902</u>
Change in net assets	147,315
Net assets-beginning of year	<u>2,339,950</u>
Net assets-end of year	<u><u>2,487,265</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF SOUTH MANSFIELD**

**STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES**

**For the year ended June 30, 2004**

	<u>2004</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers	120,004
Payments to suppliers	(56,419)
Payments to employees	(43,404)
Net cash provided by operating activities	<u>20,181</u>
 <u>Cash Flows From Non-Capital Financing</u>	
Transfer from General Fund	14,814
Deposits received (refunded) customers	(2,670)
Net cash provided by non-capital financing activities	<u>12,144</u>
 <u>Cash Flows From Capital and Related Financing Activities</u>	
Construction of capital assets	(32,144)
Principal paid on capital debt	(16,342)
Proceeds from federal grants	32,225
Interest paid on capital debt	(11,593)
Net cash used by capital and related financing activities	<u>(27,854)</u>
 <u>Cash Flows From Investing Activities</u>	
Interest income	<u>37</u>
 Net Increase in Cash	4,508
Cash at Beginning of Year	4,186
Cash at End of Year	<u><u>8,694</u></u>
 <u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities</u>	
Operating Income (Loss)	(55,578)
Adjustments	
Depreciation	71,966
Decrease in accounts receivable	3,574
Decrease in accounts payable	219
Net cash provided by operating activities	<u><u>20,181</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF SOUTH MANSFIELD**

**STATEMENT OF CASH FLOWS - BUSINESS TYPE ACTIVITIES**

**For the year ended June 30, 2003**

	<b><u>2003</u></b>
<b><u>Cash Flows From Operating Activities</u></b>	
Receipts from customers	118,314
Payments to suppliers	(55,266)
Payments to employees	(36,260)
Net cash provided by operating activities	<u>26,788</u>
 <b><u>Cash Flows From Non-Capital Financing</u></b>	
Deposits received (refunded) customers	<u>1,720</u>
 <b><u>Cash Flows From Capital and Related Financing Activities</u></b>	
Construction of capital assets	(188,530)
Principal paid on capital debt	(15,097)
Proceeds from federal grants	188,530
Interest paid on capital debt	(12,448)
Net cash used by capital and related financing activities	<u>(27,545)</u>
 <b><u>Cash Flows From Investing Activities</u></b>	
Interest income	201
Investments into certificates of deposit	(123)
Net cash provided by investing activities	<u>78</u>
 Net Increase in Cash	1,041
Cash at Beginning of Year	<u>3,145</u>
Cash at End of Year	<u><u>4,186</u></u>
 <b><u>Reconciliation of Operating Income to Net Cash</u></b>	
<b><u>Provided by Operating Activities</u></b>	
Operating Income (Loss)	(29,587)
Adjustments	
Depreciation	66,597
Decrease in accounts receivable	(642)
Decrease in accounts payable	(9,580)
Net cash provided by operating activities	<u><u>26,788</u></u>

The accompanying notes are an integral part of these financial statements.

## **VILLAGE OF SOUTH MANSFIELD**

### **NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

#### **INTRODUCTION**

The Village of South Mansfield is governed by the mayor-board of aldermen form of government. The Village provides streets, planning, water/sewer and general government services to its residents. The Village has three full time employees.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Village has no component units.

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Village of South Mansfield. Governmental activities, which normally are supported by property, sales and franchise taxes and other general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and business-type activities funds. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements if applicable.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the business-type fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise and sales taxes, occupational licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village of South Mansfield reports the following governmental fund:

**General Fund**

The General fund is the general operating fund of the Village and accounts for all financial resources of the general government.

The Village of South Mansfield reports the following business-type activity fund:

**Water and Sewer Enterprise Fund**

The Water and Sewer Enterprise fund accounts for the operations of the Village's water and sewer systems.



Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and business-type activities fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements.

Amounts reported as program revenues include charges to customers for goods, services, or privileges provided. General revenues include all taxes, occupational licenses, and miscellaneous revenues.

Business-type activities funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's ongoing operations. The Water and Sewer Enterprise Fund's operating revenues consist of water and sewer fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

#### **C. Deposits and Investments**

Cash include amounts in non-interest bearing demand deposits. State law allows the Village to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At June 30, 2004, the Village's investments consist of a non-negotiable certificate of deposits with an original maturity that exceeds 90 days that is reported in the accompanying financial statements at cost.

#### **D. Receivables**

All receivables are generally shown net of an allowance for uncollectible amounts. These statements contain no provision for uncollectible accounts. The Village is of the opinion that such an allowance would be immaterial in relation to the financial statements taken as a whole.

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Village and billed to taxpayers in November. Billed taxes become delinquent on January 1 of the following year. The taxes are normally collected in December, January and February of the current year.

Sales taxes are recognized as revenue when collected by the Desoto Parish Sales and Use Tax Commission.

#### **E. Capital Assets**

Capital assets, which include the water and sewer system and improvements, land, buildings, improvements other than buildings and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost. All of the Village's capital assets have been capitalized at cost. The Village maintains a threshold level of \$500 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All capital assets are depreciated using the straight-line method over the following useful lives.

	Estimated <u>Lives</u>
Infrastructure – water, sewer, improvements	
Water/Sewer Plant	55
Other equipment	5

#### **F. Long-Term Obligations**

In the government-wide financial statements and the business-type activities fund financial statements, long-term debt and other long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets.

### **G. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At June 30, 2004, the Village's governmental fund balances were *unreserved and undesignated*.

### **H. Restricted Assets**

Certain proceeds of Water/Sewer revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Village uses restricted resources to fund appropriations before using unrestricted resources.

### **I. Compensated Absences**

The Village has no provision for accumulation and vesting of leave due to its small amount.

### **J. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budget Information**

The Village of South Mansfield uses the following budget practices:

General Fund budget is prepared on the modified accrual basis of accounting, although none was available for inspection due to its loss in a fire. The budget is legally adopted by the board of aldermen and amended during the year as necessary. Budgets are established and controlled by the board at the object level of expenditure. Appropriations lapse at year-end and must be reappropriated for the following year to be expended.

### 3. DEPOSITS IN FINANCIAL INSTITUTIONS

At June 30, 2004, the Village has cash and investments (book balances) as follows:

Checking accounts	\$11,769
Investments – certificates of deposit	<u>8,964</u>
Total	<u>\$20,733</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits or the resulting bank balances must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At June 30, 2004, the Village has \$21,021 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance.

### 4. RECEIVABLES

The following is a summary of receivables at June 30, 2004:

	General Fund	Water Sewer Fund
Ad valorem taxes	1,551	-
P&M beer taxes	4,262	-
Franchise taxes	4,789	-
Sales taxes	2,260	-
Accounts receivable – customers	-	23,679
Allowance for bad debts	-	-
Total accounts receivable	<u>12,862</u>	<u>23,679</u>

## 5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the two years ended June 30, 2004 are as follows:

	Beginning of period	Additions	Transfers/ Retirements	End of period
Government activities:				
Capital assets, non-depreciable:				
Land	19,356	-	-	19,356
Building construction in progress	-	30,021	-	30,021
Total	19,356	30,021	-	49,377
Capital assets, depreciable:				
Buildings	9,459	-	9,459	-
Equipment	47,201	-	47,201	-
Total	56,660	-	56,660	-
Accumulated depreciation	56,660	-	56,660	-
Total capital assets being depreciated, net	-	-	-	-
Government activities, capital assets, net	19,356	30,021	-	49,377
Business type activities:				
Capital assets, non-depreciable:				
Land	42,000	-	-	42,000
Capital assets, depreciable:				
Water/Sewer plant	3,270,650	220,675	-	3,491,325
Maintenance equipment	49,176	-	-	49,176
Office equipment	1,450	-	1,450	-
Total	3,321,276	220,675	1,450	3,540,501
Accumulated depreciation	776,709	138,563	1,450	913,822
Total capital assets being depreciated, net	2,544,567	82,112	-	2,626,679
Business type activities, capital assets, net	2,586,567	82,112	-	2,668,679

## 6. LONG-TERM OBLIGATIONS

The following is a summary of revenue bond transactions for the two years ended June 30, 2004 and 2003:

	Revenue Bonds	
	2004	2003
Bonds payable - beginning of year	214,000	227,000
Less bonds retired	14,000	13,000
Bonds payable - end of year	200,000	214,000
Less portion classified as current	14,000	13,000
Long-term portion	186,000	201,000

Bonds payable at June 30, 2004 and 2003 are comprised of the following individual issues:

	2004	2003
Revenue bonds:		
\$237,400 1984 sewer revenue bonds due in annual installments of principal and interest of approximately \$14,000 through 2024; interest at 5%	168,000	173,000
\$169,000 1974 water revenue bonds due in annual installments of principal and interest of approximately \$10,000 through 2008; interest at 4%	32,000	41,000
Total revenue bonds payable	200,000	214,000

The Village has a note payable to Hibernia National Bank for a maintenance truck. The note carries an interest rate of 9.25% and principal and interest payments of \$232 through October 2005. The note had an outstanding balance of \$3,470 and \$5,812 for the year ended June 30, 2005 and 2004, respectively. Included in the expenses of its water and sewer business type activity for the year end June 30, 2004 and 2003 is \$11,024 and \$11,829 respectively.

The annual requirements to amortize all long-term debt outstanding at June 30, 2004, are as follows:

Year ending June 30	Water/Sewer Bonds		Truck Note		Total
	Principal	Interest	Principal	Interest	
2005	14,000	9,500	2,560	223	26,283
2006	14,000	8,890	910	18	23,818
2007	16,000	8,260	-	-	24,260
2008	10,000	7,680	-	-	17,680
2009	6,000	7,300	-	-	13,300
2010-2014	35,000	31,700	-	-	66,700
2015-2019	46,000	21,900	-	-	67,900
2020-2024	59,000	9,100	-	-	68,100
Total	<u>200,000</u>	<u>104,330</u>	<u>3,470</u>	<u>241</u>	<u>308,041</u>

#### **Flow of Funds; Restrictions on Use Water Utility**

Under the terms of the bond indenture on outstanding Water Utility bonds dated May, 1974, all income and revenues of every nature, earned or derived from operation of the Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside as follows:

Each month an amount equal to 1/12 of the maturing principal and interest is to be set aside in the "Revenue Bond and Interest Sinking Fund". These transfers may only be used to retire maturing bonds and interest.

An amount equal to 20% of the current bond and interest maturities will be set aside into the "Revenue Bond Reserve Fund". This transfer is required until a balance of \$11,000 is reached. These funds may be used for payment on maturing bonds and interest when the sinking fund is under funded.

The Village shall also set aside a "Replacement and Extension Fund" of \$7,200 to cover extraordinary costs. Current maturities may be paid from this fund if the other funds have insufficient monies available.

### **Sewer Utility**

Under the terms of the bond indenture on Sewer bonds dated April 1984, funds will be set aside into the following:

Each month, there will be set aside into a fund called the "Revenue Bond and Interest Sinking Fund" 1/12 of the maturing bond and interest amounts. These monies may only be used to pay current maturities.

*Commencing the first month in which the system becomes revenue producing, an amount equal to 5% of current maturities will be set aside into a "Revenue Bond Reserve Fund" until the account contains \$15,270. These monies may be used to pay current maturities when the sinking fund has insufficient funding.*

The Village shall also set aside a "Replacement and Extension Fund" of \$60 per month to cover the unusual costs. Current maturities may be paid from this fund when other bond funds have insufficient balances.

### **7. RISK MANAGEMENT**

The Village is self insured for losses resulting from property damage or liability claims. The Village maintains fidelity insurance on its office employees for up to \$15,000 each. There was an uninsured complete loss to the Village's office building and property within about June 30, 2004. The Village has not funded any amount to provide for future losses. Historically claims have been limited and no known claims existed at June 30, 2004.



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**OTHER SUPPLEMENTAL INFORMATION**

**VILLAGE OF SOUTH MANSFIELD**  
**Mansfield, Louisiana**

**SCHEDULE OF COMPENSATION PAID ALDERMEN**  
**June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Euricka Mayweather	1,950	1,950
Ola Mae Evans	1,950	1,950
Veronica Washington	1,950	1,950
	<u>5,850</u>	<u>5,850</u>

Richard C. McCallister  
Certified Public Accountant

3536 Youree Drive  
P.O. Box 44046  
Shreveport, LA 71134-4046  
(318) 865-9206  
FAX (318) 865-0751

Member  
American Institute of  
Certified Public Accountants

Member  
Society of Louisiana  
Certified Public Accountants

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Dessie L. Patterson, Mayor  
Village of South Mansfield

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Village of South Mansfield, Louisiana, as of and for the two years ended June 30, 2004 and have issued my report thereon dated May 13, 2005. I was unable to conduct my audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States for the reasons stated in that report.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the planned audit and, accordingly, I do not express such an opinion. The results of my tests disclosed four instances of noncompliance that are required to be reported under *Government Auditing Standards*. These are listed as findings 2004-01 through 2004-04 in the accompanying schedule of Financial Statement Findings.

### Internal Control Over Financial Reporting

In planning my audit, I considered the Village's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted three matters involving the internal control structure over financial reporting and its operation that I consider to be material weaknesses. These are identified as items 2004-05 through 2004-07 in the accompanying schedule of Financial Statement Findings.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

 **Richard C  
McCallister**

Signature  
valid

Richard C. McCallister  
Shreveport, Louisiana  
May 13, 2005

Digitally signed by  
Richard C. McCallister  
DN: cn=Richard C  
McCallister,  
o=Richard C  
McCallister, CPA,  
c=US  
Date: 2005.06.02  
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**VILLAGE OF SOUTH MANSFIELD**  
**Mansfield, Louisiana**

**SUMMARY OF AUDITOR'S RESULTS**  
**For the Two Years Ended June 30, 2004**

**Financial Statements**

Type of auditor's report issued:	<u>Disclaimer</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Reportable conditions identified not considered to be material weakness?	<u>No</u>
Noncompliance material to financial statements noted?	<u>Yes</u>

**VILLAGE OF SOUTH MANSFIELD**  
**Mansfield, Louisiana**

**FINANCIAL STATEMENT FINDINGS**  
**For the Two Years Ended June 30, 2004**

**COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANTS**

**2004-01      Failure to comply with Louisiana Audit Law**

***The audit was not completed within six months of the close of the Village's fiscal year as required by Louisiana Law.***

Due to a fire, all the records of the Village were destroyed. The financial records were not recovered in sufficient time to start the audit to be completed on time.

The Village needs to make every effort to assure that the financial records and information needed for a timely audit be available.

**2004-02      Noncompliance with debt agreements**

***The Village failed to comply with its bond debt covenants of its water and sewer bonds.***

The Village does not carry insurance coverage on its water and sewer facilities/systems as required under the agreements. The Village is required to maintain insurance in type and amount as necessary to protect FmHA's financial interest and to maintain adequate coverage for the life of the loans.

The bond covenants also require various sinking funds be funded to assure payment of revenue bonds. These accounts have not been funded at the proper levels and have no activity in them.

The Village should notify FmHA of its agreement violations and obtain guidance to resolve these matters.

**2004-03      Budgets unavailable and not prepared**

**The Village's budgets for the audit period were unavailable for inspection. A budget for the subsequent fiscal year has not been prepared.**

Due to a fire, budgets previously adopted were lost. The budget for June 30, 2005 has not been adopted.

The Village should as soon as possible create of budget for June 30, 2005 and 2006. This budget should be integrated with its accounting system to assure compliance with spending restrictions.

**2004-04      Failure to comply with asset management law**

**The Village does not maintain an inventory of its fixed assets**

An inventory of the Village's general fund capital assets has not been maintained. A physical inspection of general fund and enterprise fund capital assets has not been performed annually. Capital assets are not physically identified as belonging to the Village.

The Village should define the assets that will be inventoried and prepare a detail list. The list should include the date of purchase and the initial cost and an accurate description. A tag system should be acquired and tags attached to the items identified above and these tags should be referenced to the inventory listing. An annual inspection should be taken with follow up on items not found.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2004-05      Segregation of duties**

**Due to limited a limited number of office personnel, internal controls relating to segregation of duties is unavailable.**

The Village has only two office employees which preclude segregation of most duties. Segregation of duties is an integral part of any internal control system. While this is currently a situation that may not be cured with any cost effective change, I consider it my professional responsibility to report it to you.

Office employees should review each other's work as much as practical. In addition, the mayor and aldermen should closely monitor the financial records of the Village.

**2004-06      Collection of Utility Accounts**

**Delinquent utility accounts are unusually large**

My review of customer receivables indicates a total amount due of \$23,678 while current billing is \$12,107.

The Village should be sure to enforce its cut-off policies to ensure that all delinquent accounts are collected on a timely basis. Aggressive action should be taken to collect delinquent accounts including legal action, if necessary. A collection agency should be used for difficult accounts. Aldermen should approve all accounts to be written-off.

**2004-07      No contingency and recovery plan**

**No written contingency or recovery plan exists in the event of a disaster**

The Village experienced a total loss of its office in 2004. All Village records were destroyed in the disaster. Office personnel have not been able to recover.

The Village should develop a written contingency and recovery plan. This plan should contain a provision for offsite storage of its computer data.



**VILLAGE OF SOUTH MANSFIELD**  
**Mansfield, Louisiana**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE TWO YEARS ENDED JUNE 30, 2002**

None

**The Village of South Mansfield  
P O Box 995-120 Britney Drive  
Mansfield, LA 71052  
318-872-3960 or Fax 318-872-9198**

May 31, 2005

Legislative Auditor  
State of Louisiana  
Baton Rouge, Louisiana

Farmers Home Administration  
Coushatta, Louisiana

The Village of South Mansfield respectfully submits the following corrective action plan for the year ended June 30, 2004.

Name and address of accounting firm:

Richard C. McCallister, CPA  
P O Box 44046  
Shreveport, LA 71134

The findings from December 31, 2004 included in the schedule of Financial Statement Findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**2004-01      Failure to comply with Louisiana Audit Law**

This finding is a direct result of a disaster in which there was a total loss of our office building. We will make every effort in the future to file timely.

**2004-02      Noncompliance with debt agreements**

Providing insurance coverage has been difficult due to the unwillingness of insurance carriers to cover us. After researching the requirements we have obtained coverage as of September 2004.

The Village is unable to fully fund all sinking fund accounts. As resources become available every effort will be made to do so.

**2004-03      Budgets unavailable and not prepared**

All information was lost in the fire. Current budgets are not prepared due to the loss of our historical information and the time spent in recovery. However, a budget has been completed and will be introduced in our June regular meeting.

**2004-04      Failure to comply with asset management laws**

We are in process of inventorying our capital assets. We will adopt the recommendations included in the finding.

**2004-05      Segregation of duties**

We understand the limitations of our internal control and will closely monitor our financial records.

**2004-06      Collection of utility accounts**

The village does enforce its cut-off policies. We will work on collections and contact a collections agency for assistance. The mayor and alderman will approve all write-offs.

**2004-07      No contingency and recovery plan**

The Village will seek guidance in developing a written plan. Backups of computer data are now being made and stored offsite.

Sincerely,

 **Dessie L.  
Patterson**

Dessie L. Patterson  
Mayor

Digitally signed by  
Dessie L. Patterson  
DN: cn=Dessie L.  
Patterson, o=Village of  
South Mansfield, c=US  
Date: 2005.06.02  
14:54:01 -0500